

**PGT Commerce Test Paper Series - 1 Month Course**

| <b>Day</b>    | <b>Test Combination</b>                  |  |                                     |                                       |
|---------------|--|--|-------------------------------------|---------------------------------------|
| <b>Day 1</b>  | Financial Accounting - Test No.1         | Corporate Accounting -Test No. 1               | Business Studies - Test No. 1       | Business Management - Test No.1       |
| <b>Day 2</b>  | Financial Accounting - Test No.2         | Corporate Accounting -Test No. 2               | Business Studies - Test No. 2       | Business Management - Test No.2       |
| <b>Day 3</b>  | Financial Accounting - Test No.3         | Corporate Accounting -Test No. 3               | Business Studies - Test No. 3       | Business Management - Test No.3       |
| <b>Day 4</b>  | Financial Accounting - Test No.4         | Corporate Accounting -Test No. 4               | Business Studies - Test No. 4       | Business Management - Test No.4       |
| <b>Day 5</b>  | Financial Accounting - Test No.5         | Corporate Accounting -Test No. 5               | Business Studies - Test No. 5       | Business Management - Test No.5       |
| <b>Day 6</b>  | Cost & Management Accounting - Test No.1 | Advance & Miscellaneous Accounting -Test No. 1 | International Business - Test No. 1 | Financial Management - Test No.1      |
| <b>Day 7</b>  | Cost & Management Accounting - Test No.2 | Advance & Miscellaneous Accounting -Test No. 2 | International Business - Test No. 2 | Financial Management - Test No.2      |
| <b>Day 8</b>  | Cost & Management Accounting - Test No.3 | Advance & Miscellaneous Accounting -Test No. 3 | International Business - Test No. 3 | Financial Management - Test No.3      |
| <b>Day 9</b>  | Cost & Management Accounting - Test No.4 | Advance & Miscellaneous Accounting -Test No. 4 | International Business - Test No. 4 | Financial Management - Test No.4      |
| <b>Day 10</b> | Cost & Management Accounting - Test No.5 | Advance & Miscellaneous Accounting -Test No. 5 | International Business - Test No. 5 | Financial Management - Test No.5      |
| <b>Day 11</b> | Financial Accounting - Test No.6         | Corporate Accounting -Test No. 6               | Business Studies - Test No. 6       | Business Management - Test No.6       |
| <b>Day 12</b> | Marketing Management - Test No.1         | Human Resource Management -Test No. 1          | Marketing Management - Test No.2    | Human Resource Management -Test No. 2 |
| <b>Day 13</b> | Marketing Management - Test No.3         | Human Resource Management -Test No. 2          | Marketing Management - Test No.4    | Human Resource Management -Test No. 3 |
| <b>Day 14</b> | Marketing Management - Test No.5         | Human Resource Management -Test No. 5          | Marketing Management - Test No.6    | Human Resource Management -Test No. 6 |
| <b>Day 15</b> | Financial Accounting - Test No.7         | Corporate Accounting -Test No. 7               | Business Studies - Test No. 7       | Business Management - Test No.7       |

|               |   |   |                                      |  |
|---------------|---|---|--------------------------------------|--|
| <b>Day 16</b> | Cost & Management Accounting - Test No.6  | Advance & Miscellaneous Accounting -Test No. 6  | International Business - Test No. 6  | Financial Management - Test No.6       |
| <b>Day 17</b> | Cost & Management Accounting - Test No.7  | Advance & Miscellaneous Accounting -Test No. 7  | International Business - Test No. 7  | Financial Management - Test No.7       |
| <b>Day 18</b> | Cost & Management Accounting - Test No.8  | Advance & Miscellaneous Accounting -Test No. 8  | International Business - Test No. 8  | Financial Management - Test No.8       |
| <b>Day 19</b> | Financial Accounting - Test No.8          | Corporate Accounting -Test No. 8                | Business Studies - Test No. 8        | Business Management - Test No.8        |
| <b>Day 20</b> | Marketing Management - Test No.7          | Human Resource Management -Test No. 7           | Marketing Management - Test No.8     | Human Resource Management -Test No. 8  |
| <b>Day 21</b> | Cost & Management Accounting - Test No.9  | Advance & Miscellaneous Accounting -Test No. 9  | International Business - Test No. 9  | Financial Management - Test No.9       |
| <b>Day 22</b> | Marketing Management - Test No.9          | Human Resource Management -Test No. 9           | Marketing Management - Test No.10    | Human Resource Management -Test No. 10 |
| <b>Day 23</b> | Financial Accounting - Test No.9          | Corporate Accounting -Test No. 9                | Business Studies - Test No. 9        | Business Management - Test No.9        |
| <b>Day 24</b> | Cost & Management Accounting - Test No.10 | Advance & Miscellaneous Accounting -Test No. 10 | International Business - Test No. 10 | Financial Management - Test No.10      |
| <b>Day 25</b> | Financial Accounting - Test No.10         | Corporate Accounting -Test No. 10               | Business Studies - Test No. 10       | Business Management - Test No.10       |
| <b>Day 26</b> | <b>Mock Test -1</b>                       |   | <b>Mock Test -2</b>                  |  |
| <b>Day 27</b> | <b>Mock Test -3</b>                       |   | <b>Mock Test -4</b>                  |  |
| <b>Day 28</b> | <b>Mock Test -5</b>                       |   | <b>Mock Test -6</b>                  |  |
| <b>Day 29</b> | <b>Mock Test -7</b>                       |   | <b>Mock Test -8</b>                  |  |
| <b>Day 30</b> | <b>Mock Test -9</b>                       |   | <b>Mock Test -10</b>                 |  |



Day - 1

## Financial Accounting – Test No. 1

1. Income earned but not yet received is treated as
  - (a) Asset
  - (b) Liability
  - (c) Loss
  - (d) Capital
2. The capital of a firm is R 80,000. The reasonable return in the industry is 7•5%. If the profits earned by the firm during last five years were R 8,000, R 9,000, R 7,000, R 8,500 and R 10,000, then the super profit of the firm is
  - (a) R 2,000
  - (b) R 2,500
  - (c) R 3,000
  - (d) R 3,500
3. Deewali advance given to an employee is
  - (a) Revenue Expenditure
  - (b) Capital Expenditure
  - (c) Deferred Revenue Expenditure
  - (d) Not an Expenditure
4. Which accounting concept satisfy the valuation criteria
  - (a) Going concern, Realisation, Cost
  - (b) Going concern, Cost, Dual aspect
  - (c) Cost, Dual aspect, Conservatism
  - (d) Realisation, Conservatism, Going concern.
5. Which one of the following items is considered as revenue expenditure?
  - (a) Expenditure by the way of maintenance for increased productivity
  - (b) Repair of a car engine for enhancement of operational life
  - (c) Complete overhaul of a machine, spending around 22% of its value
  - (d) Changing a small component of a machine to maintain its operational efficiency
6. A firm has reported a profit of Rs.1,47,000 for the year ended 31-3-2014 after taking into consideration the following items.
  - (i) The cost of an asset Rs.23,000 has been taken as an expense
  - (ii) The firm anticipated a profit of Rs.12,000 on the sale of an old furniture
  - (iii) Salary of Rs.7,000 outstanding for the year has not been taken into account.
  - (iv) An asset of Rs.85,000 was purchased for Rs.75,000 and was recorded in the books at Rs.85,000.What is the correct amount of profit to be reported in the books?
  - (a) Rs.1,47,000
  - (b) Rs. 1,51,000
  - (c) Rs.1,63,000
  - (d) Rs.1,41,000
7. The process of recording financial data upto ledger is called
  - (a) Book keeping
  - (b) Classifying
  - (c) Summarising
  - (d) Analyzing

8. Secret reserves are created by means of
  - (a) Transfer to general reserve
  - (b) Providing excessive depreciation
  - (c) Overvaluation of inventories
  - (d) None of the above
9. Provisions are amounts set aside out of profit and other surpluses for
  - (a) Meeting a liability, the amount which can be determined with exact figure
  - (b) Any known liability which the amount cannot be determined with substantial accuracy
  - (c) Meeting an eventuality arising out of revaluation of asset in ordinary course of business
  - (d) Meeting a liability arising out of arbitration
10. In which of the following cases, accounting estimates are needed?
  - (a) Employs benefit schemes
  - (b) Impairment of losses
  - (c) Inventory obsolescence
  - (d) All of the above
11. Mention the correct sequence of accounting process.
  - (a) Communicating - Recording -Identifying
  - (b) Recording - Communicating -Identifying
  - (c) Identifying - Recording - Communicating
  - (d) Identifying - Communicating -Recording
12. The root cause for financial accounting
  - (a) Stewardship accounting
  - (b) Social accounting
  - (c) Management accounting
  - (d) Human resource accounting
13. What will happen if bad debt is not recorded by a firm by mistake?
  - (a) Net profit would decrease
  - (b) Net profit would increase
  - (c) Gross profit would overstate
  - (d) Gross profit would understate
14. In income measurement & recognition of assets & liabilities which of the following concepts goes together?
  - (a) Periodicity, Accrual, Matching
  - (b) Cost, Accrual, matching
  - (c) Going concern, cost, Realization
  - (d) Going concern, Periodicity, Reliability
15. An entry which is made on both sides of a cash book is called
  - (a) Cash entry
  - (b) Contra entry
  - (c) Payment entry
  - (d) Compound entry
16. The written agreement of partnership is most commonly referred as
  - (a) Agreement
  - (b) Partnership deed
  - (c) Partnership account
  - (d) Partnership act
17. Which one of the following pairs is not a perfect match?
  - (a) Suppression of invoice—Window dressing
  - (b) Overcharging of depreciation— Secret reserve
  - (c) Omission of cash receipts from debtors—Understatement of sales
  - (d) Omission of credit sales— Understatement of debtors



18. A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.50,000. Which concept is followed by him?
- (a) Going concern
  - (b) Cost
  - (c) Accrual
  - (d) Money measurement
19. The accounting standards are intended to apply only to items which are
- (a) Material
  - (b) Insignificant
  - (c) Measured in terms of money
  - (d) None of the above
20. Preparation of Trial Balance helps mainly in
- (a) Summarising business transactions
  - (b) Verifying that 'GAAP' has been observed
  - (c) Finalising the sources and uses of fund's statement
  - (d) Locating errors, if any, in the books of accounts
21. An asset is never reduced to zero in the
- (a) Fixed installment method of depreciation
  - (b) Annuity method of depreciation
  - (c) Diminishing balance method of depreciation
  - (d) None of the above
22. A real estate company sold a piece of land for Rs.5,00,00,000 (cost Rs.4,20,00,000) then the type of receipt is nature and profit on sale is
- (a) Capital & transferred to capital reserve
  - (b) Revenue & transferred to P & L a/c
  - (c) Capital & transferred to P & L a/c
  - (d) Revenue & transferred to general reserve
23. Interpretation means
- (a) Explanation of meaning and significance of the data in Financial Statements.
  - (b) Concerned with preparation and presentation of classified data
  - (c) Systematic analysis of recorded data
  - (d) Methodical classification of data given in Financial Statements.
24. A trader purchases goods for Rs. 25,00,000, of these 70% of goods were sold during the year. At the end of 31st December 2009, the market value of such goods were Rs. 5,00,000. But the trader recorded in his books for Rs. 7,50,000. Which of the following concept is violated ?
- (a) Money measurement
  - (b) Conservatism
  - (c) Consistency
  - (d) None of these
25. Which of the following is wrong?
- (a) All real and personal accounts are transferred to balance sheet
  - (b) Nominal accounts are transferred to P & L account
  - (c) Each account is opened separately in ledger
  - (d) Rent is a personal account, outstanding rent is nominal account

**Answer Key Financial Accounting - Test No.1**

|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 (a)  | 2 (b)  | 3 (d)  | 4 (a)  | 5 (d)  | 6 (b)  | 7 (a)  | 8 (b)  | 9 (b)  | 10 (d) |
| 11 (c) | 12 (a) | 13 (b) | 14 (a) | 15 (b) | 16 (b) | 17 (c) | 18 (c) | 19 (a) | 20 (d) |
| 21 (c) | 22 (b) | 23 (a) | 24 (b) | 25 (d) |        |        |        |        |        |

## Corporate Accounting – Test No. 1

1. The portion of the capital which can be called only at the time of winding up of the company is known as-----
  - (a) Uncalled capital
  - (b) Subscribed capital
  - (c) Reserve capital
  - (d) Nominal capital
2. Dividend is usually paid on :
  - (a) Issued Capital
  - (b) Paid-up Capital
  - (c) Called-up Capital
  - (d) Authorized Capital
3. Issue of equity shares for providing know-how or making available intellectual property rights is known as-
  - (a) Issue of bonus shares
  - (b) Issue of sweat shares
  - (c) Issue of rights shares
  - (d) Issue of convertible shares
4. X Ltd forfeited 2,000 shares of Rs 10 each called up Rs 8 per share due to Non-payment of call money of Rs. 3 per share, share forfeiture a/c will be credited by
  - (a) 10,000
  - (b) 16,000
  - (c) 6,000
  - (d) 20,000
5. Dinesh Software Limited forfeited 200 shares of Rs 100 each (Rs. 60 called up) issued at par to Kareena on which she had paid Rs. 20 per share. Out of these, 150 shares were re-issued to Rajni for Rs. 45 per share as Rs. 60 paid up. Amount to be transferred to Capital reserve will be :
  - (a) Rs. 750
  - (b) Rs. 2,250
  - (c) Rs. 6,750
  - (d) Rs. 3,000
6. If the 'current stock price is Rs. 50 per share and 1 new right share has been offered, to investor holding 4 shares, at a subscription price of Rs. 45 per share, what will be the value of right?
  - (a) 1
  - (b) 2
  - (c) 6
  - (d) 4
7. Shree Limited purchased a machine for Rs. 40,00,000, Payable as 25% in cash and balance by the issue of 8 % Debentures of Rs. 400 each at a premium of 20 %. How many debentures are issued to vendor?
  - (a) 6,250
  - (b) 6,500
  - (c) 6,750
  - (d) 7,000

8. When all the debentures are redeemed, the balance in the debenture redemption fund account is transferred to:
- Profit and loss account
  - Profit and loss appropriation account
  - General reserve
  - Capital reserve
9. Profit after tax for the year ending March 31, 2018 amounted to Rs. 5,40,000 which showed an increase of 50% over the profit after tax for the previous year. The profit after tax for the previous year amounted to :
- Rs. 3,50,000
  - Rs. 3,40,000
  - Rs. 3,60,000
  - Rs. 3,30,000
10. Which one of the following item is a Non Cash transaction
- Redemption of preference share
  - Redemption of Debentures
  - Conversion of Debentures into shares
  - Purchases of Asset
11. During the year 2017-18, the Net Profit of a company is Rs. 7,00,000 after incorporating the following:
- Gain on sale of Non-current Investment Rs.1,00,000  
Premium on Redemption of preference shares Rs.15,000  
Depreciation of Furniture and Fixtures Rs.2,00,000  
Patents written off Rs. 3,00,000  
Loss on sale of Fixed Assets Rs. 4,00,000
- The net inflow of cash operating activities will be :
- Rs. 9,15,000
  - Rs. 15,15,000
  - Rs. 7,00,000
  - Rs. 5,95,000
12. Which one is not the purpose (objective) of analysis of financial statements ?
- To assess the current profitability and operational efficiency of the firm
  - To judge the ability of the firm to repay its debt
  - To show financial position through balance sheet and profitability through profit & loss account
  - To identify the reasons for change in the profitability / financial position of the firm
13. Analysis of comparative financial statements include :
- Common Size Statements
  - Cash Flow Analysis
  - Trend Analysis
  - Horizontal Analysis
14. Which one is true?
- Financial statements reflect current situation
  - Assets shown in the balance sheet reflect expired cost
  - Balance sheets disclose information relating to loss of markets
  - Financial statements do not contain qualitative information
15. Cash collected from Debtors would be deemed as-----
- Source of funds
  - Application of funds
  - Increase of funds
  - No flow of funds



16. 'Fund Flow Statement' is a study of
  - (a) Change in Profitability
  - (b) Change in Investments
  - (c) Change in Working Capital
  - (d) Change in Cash Position
17. Ram Ltd has a current Ratio 4.5:1 and Quick Ratio 3:1. If its inventory is Rs. 72,000. Calculate Current Liabilities
  - (a) Rs. 2,16,000
  - (b) Rs. 73000
  - (c) Rs. 48,000
  - (d) Rs. 84,000
18. Which among the following methods is essentially an integrated ratio analysis?
  - (a) BCG Matrix Analysis
  - (b) Trial Balance Analysis
  - (c) DuPont Analysis
  - (d) Cash Flow Analysis
19. A company has share-holder's equity of Rs. 2,00,000/Total Assets are 60% of share holder's equity assets, turnover Ratio 4 times, Inventory Turnover is 6 times. Calculate amount of Inventory.
  - (a) Rs. 4,80,000
  - (b) Rs. 8,00,000
  - (c) Rs. 80,000
  - (d) Rs. 6,00,000
20. Which of the following is not a mode of liquidation of a company?
  - (a) Compulsory winding –up by the court
  - (b) Voluntary winding-up by the members
  - (c) Winding-up under the supervision of Court
  - (d) Winding-up by the Directors

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21. ABC Ltd. buys 77% of available shares (ownership) of XYZ Corp. Which of the following can be said about XYZ Corp.?
  - (a) It is no longer a company
  - (b) It is a holding company
  - (c) It is an independent company
  - (d) It is a subsidiary company
22. Which of the following statements is correct?
  - (a) Merger does not form a part of Amalgamation
  - (b) Under no circumstances, Amalgamation leads to liquidation of an existing company
  - (c) Amalgamation includes Absorption
  - (d) Internal Reconstruction is an integral part of Amalgamation
23. Methods of Accounting for Amalgamation of companies are/is
  - (a) The Pooling of Interest Methods
  - (b) The Purchase Method
  - (c) Both (The Pooling of Interest Methods) and (The Purchase Method)
  - (d) None of these
24. When two or more than two companies Liquidate to form a new company, it is called
  - (a) Amalgamation of Companies
  - (b) Absorption of Companies
  - (c) Internal Reconstruction of company
  - (d) Purchase of Business.

25. The time interval between date of preparing balance sheet of holding company and subsidiary company
- (a) Up-to 1 year
  - (b) Not more than 6 Months
  - (c) More than 6 months
  - (d) More than 1 year

**Answer Key Corporate Accounting - Test No. 1**

|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 (c)  | 2 (b)  | 3 (b)  | 4 (a)  | 5 (a)  | 6 (a)  | 7 (a)  | 8 (c)  | 9 (c)  | 10 (c) |
| 11 (b) | 12 (c) | 13 (d) | 14 (d) | 15 (d) | 16 (c) | 17 (c) | 18 (c) | 19 (c) | 20 (d) |
| 21 (d) | 22 (c) | 23 (c) | 24 (a) | 25 (b) |        |        |        |        |        |

## Business Studies – Test No.1

1. The limitations of cooperative societies is -  
(a) Equality in voting status (b) Stable existence  
(c) Limited liability (d) Limited finance
2. What is the minimum number of members required to establish a public company?  
(a) 8 (b) 6  
(c) 7 (d) 5
3. A worker was working in a factory. He noticed a leakage in the cooling systems pipeline. The company suffers a huge loss due to this. Which of the following business-risks is being exhibited here?  
(a) Human Cause (b) Physical and technical cause  
(c) Natural Cause (d) Political Cause
4. An Indian firm purchases goods from Taiwan and then sells those goods to the European Union countries. Which of the following is the above-mentioned trade an example of?  
(a) Import Trade (b) Retail Trade  
(c) Entrepot Trade (d) Export Trade
5. Who of the following does not have a stake in the business?  
(a) Customers (b) Investors  
(c) Taxation authorities (d) Creditors
6. Continuous existence of a company irrespective of change in membership of the same is known as \_\_\_\_\_.  
(a) Perpetual succession (b) Separate entity  
(c) Common seal (d) Voluntary association
7. From the following given statements identify which is not the function of promoter.  
(a) To enter into preliminary contract with vendors  
(b) To make secret profits  
(c) Nomenclature  
(d) Arrangement of capital
8. Mr. Robbin suffered a loss in business due to fluctuation in price of goods. Identify the cause of business risk.  
(a) Economic Cause (b) Natural Cause  
(c) Political Cause (d) Physical Cause
9. Which of the following statements about the HUF form of Business Organisation is incorrect?  
(a) All coparceners have equal share in the profits of the business.  
(b) The karta's (senior-most member of the family) personal property can also be utilised to meet the business liability.  
(c) In HUF business, there must be at least three members in the family  
(d) In HUF business outsiders are not allowed to become the coparcener
10. Which of the following is not a characteristic of Sole Proprietorship Form of Business Organisation?  
(a) The liability of the sole proprietor is limited  
(b) There is no separation of ownership and management  
(c) The business unit does not have an entity separate from the owner  
(d) The formation and operation of this form of business organisation does not involve any legal formalities
11. Which of the following does not come under consumer's rights according to Consumer's Protection Act 1986?  
(a) Right to safety (b) Right to get legal assistance  
(c) Right to be informed (d) Right to seek redressed

- 12.** A complaint can be made to the state commission when the value of goods or services
- exceeds Rs. 20 lakhs but does not exceed Rs. 2 crore
  - exceeds Rs. 20 lakhs but does not exceed Rs. 1 crore
  - exceeds Rs. 40 lakhs but does not exceed Rs. 1.5 crore
  - exceeds Rs. 80 lakhs but does not exceed Rs. 5 crore
- 13.** Which of the following is not a function of warehouses in present times?
- Risk bearing
  - Financing
  - Processing of stored materials
  - Transportation
- Only 2 and 4
  - Only 3 and 4
  - Only 1 and 2
  - Neither 1 nor 2 nor 3 nor 4
- 14.** In \_\_\_\_\_ the company has no ownership and control in that business and is engaged in complete selling of a unit.
- Expansion
  - Mergers
  - Diversification
  - Divestment
- 15.** State which term is not used in insurance process?
- Proposer
  - Premium
  - Sum assured
  - Bills
- 16.** A ship carrying orange was insured against losses arising from accident. The ship reached the port safely and there was a delay in unloading the oranges from the ship. As a result, the oranges got spoilt. The insurer did not pay any compensation for the loss because the proximate cause of loss was delay in unloading and not an accident during the voyage. This displays -
- Principle of Indemnity
  - Principle of Mitigation
  - Principle of Causa-proxima
  - Principle of Contribution
- 17.** In which year was the National Consumer Disputes Redressal Commission formed?
- 1988
  - 1990
  - 1991
  - 1989
- 18.** As per the Consumer Protection Act, 1986, who out of the following persons can file a complaint?
- A consumer
  - The Central or any State Government
  - Legal heir or representative in case of death of a consumer.
- 1, 2 and 3
  - Only 1 and 2
  - Only 1 and 3
  - Only 2 and 3
- 19.** Who out of the following US Presidents, in his message to consumer had given six rights to consumers?
- Ronald Reagan
  - Jimmy Carter
  - Barack Obama
  - John F. Kennedy
- 20.** The classification of partners as sleeping and active partners is a classification based on -
- The liability
  - The behaviour and conduct exhibited
  - The sharing of profits
  - The extent of participation
- 21.** \_\_\_\_\_ is paid by the insured to issuer in consideration to insurance contract.
- Deposit
  - Premium
  - Cheque
  - Discount
- 22.** Which of the following functions is not treated as primary function of insurance?
- Insurance provides certainty of payment
  - Insurance provides capital
  - Insurance provides protection against the probable chance of loss
  - Insurance helps in Risk – sharing towards uncertainty

- 23.** A gets injured in a road accident, due to reckless driving of a third party B. What will the insurance company, that has insured A's car, do in this case under the principle of subrogation?  
 (a) It will compensate the loss of A but cannot sue B to recover the money paid as claim  
 (b) It will compensate the loss of A and can sue B to recover the money paid as claim  
 (c) Insurance company will compensate to A only after recovering loss from B  
 (d) Insurance company will not compensate the loss of A

- 24.** Consider the following two lists :-

|                              |   |
|------------------------------|---|
|                              |   |
| i. Principal of contribution | a. The insured is not allowed to make any profit from the insurance contract on the happening of the event that is insured against.         |
| ii. Principal of subrogation | b. The same subject matter may be insured with more than one insurer.   |
| iii. Principal of indemnity  | c. This principal ensure that the insure does not become negligent about the safety of the subject matter after taking an insurance policy. |
| iv. Principal of mitigation  | d. Once the claim of the insured has been settled, the ownership right of the subject matter of insurance passes on to the insurer.         |

Choose the code that correctly matches the contents of List I with List II.

- (a) 1-b, 2-d, 3-a, 4-c  
 (b) 1-d, 2-b, 3-c, 4-a  
 (c) 1-c, 2-d, 3-b, 4-c  
 (d) 1-b, 2-c, 3-a, 4-d

- 25.** List 1 contains important legislations that consider the business enterprises and List 2 consists of the associated year.

|   | List 1   |    | List 2 |
|---|--|----|--------|
| 1 | Industrial (Development and Regulation ) Act   | a. | 1969   |
| 2 | Bureau of Indian standards Act                 | b. | 1986   |
| 3 | The standards of weights and measures Act      | c. | 1951   |
| 4 | Monopolies and restrictive Trade practices Act | d. | 1956   |

Choose the code that matches items of List 1 with List 2 correctly.

- (a) 1-c, 2-b, 3-d, 4-a  
 (b) 1-b, 2-c, 3-d, 4-a  
 (c) 1-a, 2-c, 3-d, 4-b  
 (d) 1-d, 2-a, 3-b, 4-c

### Answer Key Business Studies - Test No. 1

|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 (d)  | 2 (c)  | 3 (b)  | 4 (c)  | 5 (a)  | 6 (a)  | 7 (b)  | 8 (a)  | 9 (c)  | 10 (a) |
| 11 (b) | 12 (b) | 13 (d) | 14 (d) | 15 (d) | 16 (c) | 17 (a) | 18 (a) | 19 (d) | 20 (d) |
| 21 (b) | 22 (b) | 23 (b) | 24 (a) | 25 (a) |        |        |        |        |        |



## Financial Management – Test No. 1

1. Match the items of List - II with the items of List - I relating to Methods of Raising Finance and select the code of correct matching.

|     | List I              |       | List II                    |
|-----|---------------------|-------|----------------------------|
| (A) | Short Term Capital  | (i)   | Issue of Equity Shares     |
| (B) | Medium Term Capital | (ii)  | Clean Advance from Bank    |
| (C) | Long Term Capital   | (iii) | Public Deposits            |
|     |                     | (iv)  | Factoring                  |
|     |                     | (v)   | Discounting of Bills       |
|     |                     | (iv)  | Issue of Preference Shares |

- (a) (A) - (iii) (v); (B) - (ii); (C) - (i) (iv)  
 (b) (A) - (i) (iv) (v); (B) - (ii) (iii); (C) - (iv)  
 (c) (A) - (iv) (v); (B) - (ii) (iii); (C) - (i) (iv)  
 (d) (A) - (iii) (iv) (v); (B) - (ii) (iii); (C) - (i) (iv)
2. "\_\_\_\_\_consists of buying and selling commodities, or securities, or other property, in the hope of a profit from anticipated changes of value" .  
 (a) Margin Trading  
 (b) Arbitrage  
 (c) Initial Margin  
 (d) Speculation
3. Which one of the following statements is true?  
 (a) Long-term finance is generally required for a period of 20 years or more.  
 (b) Long-term finance is not required in all types of business activities -manufacturing, trading as well as transport business, etc.  
 (c) Long-term finance can be withdrawn at a short notice  
 (d) Long-term finance is associated with long-term return on the investment
4. A document issued by Reserve Bank of India on behalf of the Central Government for meeting its temporary deficits and financing the expenditure, is known as --  
 (a) Money bill  
 (b) Short-term liability bill  
 (c) Commercial bill  
 (d) Treasury bill
5. Which of these is/are the method of making Capital Issue:  
 (A) Offer for sale  
 (B) Private placement  
 (C) Rights issue  
 (D) Bid and Offer  
 (a) Only (A), (B), (D)  
 (b) Only (A), (C), (D)  
 (c) Only (A), (D)  
 (d) Only (A), (B), (C)
6. Inside trading refers to trading in the scripts of a company by persons having access to\_\_\_\_\_ price sensitive information to make private gains or reduce losses.  
 (a) Unpublished  
 (b) Published  
 (c) Analysed  
 (d) synthesized

- 7.** Which of the following is not an individual component of systematic risk?  
(a) Market risk  
(b) Inflation risk  
(c) Interest rate risk  
(d) Purchasing power risk
- 8.** What is the maturity term for most of the treasury bills when issued?  
(a) 91 days  
(b) 60 days  
(c) 90 days  
(d) 81 days
- 9.** Read the Assertion and Reasoning and select the correct option.  
Assertion (A): The Reserve Bank of India is the apex organisation in the Indian money market.  
Reasoning (R): In April, 1988, it set up the Discount and Finance House of India (DFHI) to perform the function of stabilising the money market in India.  
(a) (A) and (R) both are correct; and (R) is the right explanation of (A).  
(b) Both (A) and (R) are incorrect.  
(c) (A) is correct; but (R) is incorrect.  
(d) (A) and (R) both are correct; but (R) is not the right explanation of (A).
- 10.** Choose the correct statement .  
(a) GDRs is a convertible bond.  
(b) Portfolio investment is an investment where the foreign party does not seek control over the investment.  
(c) Foreign direct investment is an investment where the foreign party retains control over the investment.  
(d) FCCBs cannot be converted into GDRs.
- 11.** Which of the following statements is/are true?  
A. When the required rate of return is equal to nominal rate, the value of bond is equal to its par value.  
B. If the required rate of return is greater than the nominal rate, the value of a bond is more than its par value.  
C. When the required rate of return is less than nominal rate, the value of bond is less than its par value.  
(a) Only A and B are correct  
(b) A and C are correct  
(c) Only A is correct  
(d) Only B is correct
- 12.** The intrinsic value of a bond or any fixed income security is equal to -  
(a) The present value of expected cash flows  
(b) The realisable value of a bond  
(c) The previous year's value of cash flows  
(d) The economic value of a bond
- 13.** What is an index of operational efficiency?  
(a) Operating Leverage  
(b) Combined Leverage  
(c) Return on Investment Leverage  
(d) Financial Leverage

- 14.** Which of the following statements is false?
- (a) International finance focuses on areas such as foreign direct investment and currency exchange rates.
  - (b) Borrowers are the issuers of debt instruments in the form of Promissory Notes, Bonds and Commercial Paper.
  - (c) When the dollar rises in value relative to a foreign currency, the current assets and current liabilities of a U.S. foreign subsidiary increase in dollar value
  - (d) The needs of borrowers differ in terms of amounts, the length or period for which borrowings are needed, and the currency in which borrowings are raised.
- 15.** The intrinsic value of a bond or any fixed income security is \_\_\_\_\_ the present value of the expected cash flows.
- (a) Equal to
  - (b) Less than
  - (c) Not related to
  - (d) More than
- 16.** In India, the first step towards building up a structure of development finance institutions was taken up with which establishment?
- (a) State Industrial Development Corporations
  - (b) Industrial Finance Corporation of India
  - (c) State Financial Corporations
  - (d) Industrial Credit and Investment Corporation of India
- 17.** The rate at which currency can be bought or sold for immediate delivery is:
- (a) Spot exchange rate
  - (b) Forward exchange rate
  - (c) Future exchange rate
  - (d) Cross rate
- 18.** Bonds that are sold outside the country in whose currency they are denominated are called:
- (a) Samurai bonds
  - (b) Yankee bonds
  - (c) Eurobonds
  - (d) Foreign bonds
- 19.** Financial decisions of the firm are guided by:
- (a) Risk-return trade-off
  - (b) Financial leverage
  - (c) Retention ratio
  - (d) Firm's wealth
- 20.** The change in the shareholder's return caused by the change in the profit is termed as:
- (a) Financial leverage
  - (b) Risk-return trade-off
  - (c) Operating leverage
  - (d) Profit planning
- 21.** Determining optimum capital structure is a/an:
- (a) Investment decision
  - (b) Financing decision
  - (c) Dividend decision
  - (d) Liquidity decision
- 22.** While calculating cost of equity in CAPM model:
- (a) Beta is always taken as 0
  - (b) Beta is always taken as 1
  - (c) Beta is estimated
  - (d) There is no need for Beta

- 23.** Net present value is equal to zero when:  
 (a) IRR > Cost of capital  
 (b) IRR = Cost of capital  
 (c) IRR < Cost of capital  
 (d) IRR = 0
- 24.** When debt in the capital structure increases:  
 (a) WACC decreases  
 (b) WACC remains unchanged  
 (c) There is no relationship between the two  
 (d) WACC increases
- 25.** Securities with maturity of less than one year traded in:  
 (a) Futures market  
 (b) Capital market  
 (c) Forward market  
 (d) Money market

**Answer Key Financial Management - Test No. 1**

|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 (d)  | 2 (d)  | 3 (d)  | 4 (d)  | 5 (d)  | 6 (a)  | 7 (b)  | 8 (a)  | 9 (a)  | 10 (b) |
| 11 (c) | 12 (a) | 13 (c) | 14 (c) | 15 (a) | 16 (b) | 17 (a) | 18 (c) | 19 (a) | 20 (a) |
| 21 (b) | 22 (c) | 23 (b) | 24 (a) | 25 (d) |        |        |        |        |        |

